

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00
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-----087200 061935Z /53

O 061858Z JAN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 3969

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USOECD

PASS EB FOR BARRACLOUGH AND STR FOR FEKETEKUTY

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: OECD TRADE COMMITTEE: LETTER FROM CHAIRMAN
STEEG

TRADE COMMITTEE CHAIRMAN STEEG HAS CIRCULATED LETTER
AND PAPER ENTITLED "TRADE AND TRADE POLICY PROBLEMS"
TO SERVE AS BASIS FOR INFORMAL DISCUSSION AT FEBRUARY
TC. TEXT OF LETTER AND SUMMARY OF ISSUES RAISED IN
PAPER ARE TRANSMITTED BELOW. FULL TEXTS HAVE BEEN
AIRMAILED TO BARRACLOUGH AND FEKETEKUTY. MRS. STEEG
WELCOMES EARLY REACTIONS TO LETTER AND PAPER AND ANY
FURTHER PROPOSALS WE MAY WISH TO ADVANCE. COPY OF
CORRESPONDENCE SHOULD BE SENT TO OECD SECRETARIAT.
MISSION WOULD ALSO APPRECIATE COPIES.
BEGIN TEXT OF LETTER

AT OUR LAST MEETING WE HAD AN INTERESTING
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INFORMAL DISCUSSION OF A GENERAL CHARACTER ON THE
IMPACT ON INTERNATIONAL TRADE OF GENERAL ECONOMIC
DEVELOPMENTS. WE DECIDED TO PURSUE THAT DISCUSSION
IN FEBRUARY AND YOU INVITED ME TO MAKE APPROPRIATE
PREPARATIONS TO THIS END. AS I UNDERSTAND IT, YOUR
WISH WAS IN PARTICULAR TO DISPOSE OF A FRAME WHICH
WOULD FAVOR A MORE STRUCTURED DEBATE THAN THAT WE HAD

LAST TIME, AND OF SOME QUESTIONS TO WHICH WE ALL
COULD GEAR OUR SPECIFIC COMMENTS. THIS LETTER
ATTEMPTS TO MEET THESE REQUIREMENTS AND I WOULD BE
HAPPY IF, ON THIS BASIS, WE COULD ACHIEVE SOME
PROGRESS AT OUR NEXT MEETING. WE NEED, IN PARTICULAR,
TO COME TO A CONSENSUS ON THE AREAS ON WHICH WE SHOULD
CONCENTRATE OUR ATTENTION IN THE PRESENT CIRCUMSTANCES
AND, AS A CONSEQUENCE, ON THE ORIENTATION OF OUR
FUTURE WORK UNDER THIS GENERAL THEME.

1. I WOULD SUGGEST THAT WE ORGANIZE OUR
DISCUSSIONS UNDER THREE GENERAL HEADINGS, NAMELY:

- I. DEVELOPMENTS IN TRADE POLICY;
- II. EVALUATION OF THE SITUATION AND PROSPECTS:
- III. IMPLICATIONS FOR POLICY.

IN THE ANNEX TO THIS LETTER, YOU WILL FIND A
DOCUMENT, PREPARED BY THE SECRETARIAT, WHICH IS
STRUCTURED ACCORDINGLY AND WHICH WE COULD USE AS A
BASIS FOR OUR DISCUSSION. IN A FOURTH SECTION THIS
DOCUMENT SUMS UP IN A MORE SPECIFIC WAY A NUMBER OF
QUESTIONS WHICH WOULD MERIT TO RETAIN OUR ATTENTION.
AS A SECOND BASIC DOCUMENT WE WILL ALSO HAVE BEFORE
US THE SURVEY WHICH AT OUR LAST MEETING WE INVITED
THE SECRETARIAT TO PREPARE ON THE PRESENT SITUATION
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IN THE TRADE POLICY FIELD.

2. AMONG THE QUESTIONS WE HAVE TO CONSIDER IN
SOME DETAIL AT OUR NEXT MEETING, THOSE WHICH ARE
RELATED TO THE FUTURE OF THE TRADE DECLARATION
ARE EVIDENTLY OF OUTSTANDING IMPORTANCE FOR THE
COMMITTEE. OTHER QUESTIONS GO BEYOND THE FIELD OF
TRADE BUT HAVE THEIR PLACE IN OUR DELIBERATIONS IN
ORDER TO PROVIDE THE APPROPRIATE BROAD BACKGROUND FOR
THE PROPER EXAMINATION OF TRADE POLICY QUESTIONS.

3. IN THIS REGARD WE SHOULD TAKE ADVANTAGE OF
THE FACT THAT THERE ARE OTHER BODIES IN THE ORGANIZA-
TION WITH DIRECT COMPETENCE FOR THESE QUESTIONS. THE
TRADE COMMITTEE COULD FOR ITS OWN ACTIVITIES DRAW
ON THE RESULTS OF THE WORK OF THESE BODIES. FOR THE
FUTURE WE COULD IN PRACTICAL TERMS FORESEE:

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A. - THAT THE SECRETARIAT PROVIDES US WITH
INFORMATION ON THE WORK DONE IN RELATION
TO SUBJECTS OF THIS KIND IN OTHER PARTS OF
THE ORGANIZATION;

B. - THAT WE OURSELVES MIGHT TAKE THE INITIATIVE
IN FORMULATING SUGGESTIONS FOR WORK ON
QUESTIONS WHICH ARE IMPORTANT AS A BACK-
GROUND FOR OUR OWN ACTIVITIES BUT WHICH
COULD BEST BE TAKEN UP FIRST BY OTHER PARTS
OF THE ORGANIZATION.

I WOULD VERY MUCH WELCOME AT YOUR EARLIEST
CONVENIENCE YOUR REACTIONS TO THIS LETTER--AND TO THE
ANNEX--TOGETHER WITH ANY FURTHER PROPOSALS YOU MAY
WISH TO ADVANCE.

END TEXT OF LETTER

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ISSUES RAISED IN PAPER
I. DEVELOPMENTS IN TRADE POLICIES

- WHAT IS THE SCALE OF THE INCREASE IN PROTECTIONISM?
- SHOULD WE NOT QUALIFY THE IMPRESSION OF AN INCREASE IN PROTECTIONISM:
 - ... BY COMPARING THE MEASURES THAT HAVE BEEN TAKEN TO THE SCALE OF DIFFICULTIES, AND BY TAKING ACCOUNT OF THOSE MEASURES WHICH ARE NOT A PRIORI OF A PROTECTIONIST KIND;
 - ... BY RECOGNIZING THAT GOVERNMENTS REMAIN IN FAVOR OF FREE TRADE AND HAVE NOT IN GENERAL OPTED FOR DELIBARATELY PROTECTIONIST POLICIES?

II. EVALUATION OF THE SITUATION AND THE PROSPECTS

- WHAT ARE THE CAUSES OF THE PRESENT DIFFICULTIES? TO WHAT EXTENT ARE THEY CONNECTED WITH MACRO-ECONOMIC FACTORS, AND TO WHAT EXTENT WITH CYCLICAL OR STRUCTURAL FACTORS?
- HOW FAR ARE THE PRESENT DIFFICULTIES DUE TO NEW COMPETITORS, AND IN PARTICULAR TO EXPORTS FROM THE DEVELOPING COUNTRIES? WHAT DEVELOPMENTS MAY BE EXPECTED, AND WITH WHAT CONSEQUENCES?

III. IMPLICATIONS FOR POLICY

- WHAT MEASURES OR POLICIES SHOULD OR COULD REDUCE LIMITED OFFICIAL USE

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SECTORAL DIFFICULTIES AND THUS GIVE GENUINE SUPPORT TO THE STRUGGLE AGAINST PROTECTIONISM;

- WHETHER, IN THE LIGHT OF THE PRESENT SITUATION AND THE PROSPECTS, A GENERAL UNDERTAKING IS AN EFFECTIVE INSTRUMENT WITH WHICH TO CONTAIN THE RISE IN PROTECTIONISM.
- IS IT NOT DESIRABLE THAT THERE SHOULD BE AN EXCHANGE OF VIEWS IN THE APPROPRIATE FORUM ON THE ADVISABILITY OF DEVELOPING CONCERTED POLICIES TO HELP INDUSTRY TO ADJUST, THE EFFECTS WHICH MIGHT BE EXPECTED OF THESE POLICIES, AND THE LIMITATIONS THEY INVOLVE?
- ARE THERE OTHER MORE PRACTICAL APPROACHES TO THE INTEGRATION OF DEVELOPING COUNTRIES INTO

THE TRADING SYSTEM WHICH MIGHT BE CONSIDERED
AT THE SAME TIME AS THOSE LIKELY TO BE FOLLOWED
IN THE FRAMEWORK OF THE MULTILATERAL TRADE
NEGOTIATIONS?

- CAN AID AND EXPORT CREDIT POLICIES BE REGARDED
AS THE CAUSE, OR AN IMPORTANT CAUSE, OF
ESTABLISHMENT OR TRANSFER OF PRODUCTIVE CAPACITY?
- WOULD ANY ATTEMPT TO RESTRAIN EXPORTS OF PRODUCTIVE
PLANT NOT AMOUNT TO A STATIC APPROACH COMPARABLE
TO PROTECTIONISM?

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IV. SUMMARY AND MAIN ISSUES (FULL TEXT OF THIS
SECTION OF PAPER IS TRANSMITTED)

36. THIS PART IS A SHORT RESUME OF THE MAIN
PRACTICAL QUESTIONS WHICH MAY ARISE FOR POLICY.

37. A FIRST SERIES OF QUESTIONS CONCERNS POLICIES
OTHER THAN TRADE POLICY. THEY ARE REPEATED HERE PRO
MEMORIA AS THEY ARE A MATTER FOR OTHER COMMITTEES OF
OECD:

-- WHAT POLICIES COULD BE PUT INTO OPERATION IN FIELDS OTHER THAN TRADE WHICH WOULD HELP TO CHECK THE RISE IN PROTECTIONISM? (STIMULATION OF THE ECONOMY; BETTER DISTRIBUTION OF PAYMENTS DISEQUILIBRIA; INTENSIVE USE OF ADJUSTMENT AID MEASURES WITH NO PROTECTIONIST ASPECTS).

38. SO FAR AS TRADE POLICIES ARE CONCERNED, LIMITED OFFICIAL USE

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THE ABANDONMENT OF THE TRADE PLEDGE, WITH NOTHING TO REPLACE IT, MIGHT BE REGARDED AS THE END OF ALL RESISTANCE TO PROTECTIONIST PRESSURES.

(I) WOULD IT BE ADVISABLE TO PROLONG THE TRADE PLEDGE AS IT STANDS, IN ORDER TO AVOID THAT RISK?

(II) COULD ACTION BE LIMITED TO A GENERAL COMMITMENT AND PRESERVE THE TRADE PLEDGE WHILE RECOGNIZING THAT IN PRESENT CIRCUMSTANCES THERE MUST BE A MARGIN OF TOLERANCE FOR TRADE MEASURES, THOUGH THEY SHOULD BE LIMITED AS FAR AS POSSIBLE?

(III) WOULD IT BE PREFERABLE TO REPLACE OR SUPPLEMENT THE TRADE PLEDGE BY MORE PRECISE PROVISIONS SUCH AS:

- STRICTER MONITORING, WITH COMPULSORY PRIOR CONSULTATION; THE SETTING UP OF A SPECIAL GOVERNMENTAL GROUP;

- A STRICT UNDERTAKING TO LIMIT THE IMPACT ON IMPORTS OF THE RESTRICTIVE MEASURES IN FORCE AT ANY MOMENT TO A PREDETERMINED PERCENTAGE (SUCH AS 5 PER CENT);

- A STRENGTHENING OF THE UNDERTAKINGS CONCERNING EQUITABLE TERMS OF TRADE AND COMPETITION;

- THE ESTABLISHMENT OF A LINK BETWEEN MEASURES OF PROTECTION AND MEASURES OF STRUCTURAL ADJUSTMENT, LIMITED OFFICIAL USE

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THE LATTER BEING ALSO SUBJECT TO INTERNATIONAL

CONSULTATION;

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- THE SETTING UP IN ADVANCE OF AD HOC GROUPS ON THE
MODEL OF THAT FOR STEEL (RISK OF ENCOURAGING
GOVERNMENT INTERVENTION RATHER THAN PREVENTING
IT: AN ARGUMENT TO SET AGAINST THE POSSIBILITIES
OF CONCERTING VIEWS ON THE TYPE OF INTERVENTION);

- THE TAKING INTO ACCOUNT, SPECIFICALLY FOR
AGRICULTURAL PRODUCTS, OF THE SPECIAL SITUATION
OF COUNTRIES LARGELY DEPENDENT ON EXPORTS OF
THOSE PRODUCTS.

39. MORE SPECIFICALLY, SO FAR AS TRADE RELATIONS
WITH THE DEVELOPING COUNTRIES ARE CONCERNED:

- WHAT WOULD BE THE EFFECTS OF THE VARIOUS
FORMULAE CONSIDERED ON RELATIONS WITH THOSE
COUNTRIES INsofar, IN PARTICULAR, AS THEY MIGHT
BE THE MAIN CAUSE OF THE DIFFICULTIES? CAN
CERTAIN FORMS OF ACTION IN SUCH CASES BE

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ENVISAGED IN THE FRAMEWORK OF THE GATT?

- CAN SOME COUNTERPARTS BE ASKED FROM CERTAIN
DEVELOPING COUNTRIES IN THEIR IMPORT OR EXPORT
POLICIES, ON AN AD HOC BASIS?

END TEXT

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